



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR 1 2004

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 0250-301-3037, Capital Outlay, Judicial Council

It is requested that Item 0250-301-3037 be increased by \$619,000 to provide the acquisition and preliminary plans for two new court facilities.

1. Placer-Nevada Shared Use Facility: Truckee. The Judicial Council requests \$544,000 from the Courthouse Construction Fund to consolidate court operations in the Placer and Nevada counties. This request would fund the site acquisition and preliminary plans for a 25,500 square foot facility in Truckee that would combine functions of the Superior Courts in these counties. This project would demonstrate innovative and economical approaches to delivering judicial services.
2. Portola-Loyalton New Branch Court: Counties of Plumas and Sierra. The Judicial Council requests \$75,000 from the Courthouse Construction Fund to consolidate court operations in the Plumas and Sierra counties. This request would fund the site acquisition and preliminary plans for a 5,400 square foot facility that would combine functions of the Superior Courts in these counties. This project would reduce future capital and operational costs through innovative model shared facility and technology.

In addition, it is requested that the following provisional language be added to identify these as demonstration projects and require the department to report its findings on future cost savings to the Legislature and Department of Finance:

The funds appropriated in Schedules (1) and (2) are intended for the site acquisition and preliminary plans of two demonstration projects. These projects are intended to demonstrate measurable expected outcomes to reduce capital and court operational expenses by encouraging multi-jurisdictional use of facilities. The Judicial Council is required to report to the Legislature and Department of Finance on the reduction to capital and court operational expenses in increments of one year and three years after occupancy of the facilities.

The effect of my requested action is reflected on the attachment.

APR 1 2004

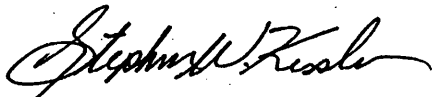
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If you have any questions or need additional information regarding this matter, please call Michael Carter, Principal Program Budget Analyst, at 445-9694.

DONNA ARDUIN

Director

By:



for MICHAEL C. GENEST
Chief Deputy Director

Attachment

cc: Honorable Dede Alpert, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Byron D. Sher, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Ms. Christine Hansen, Director of Finance Division and Chief Financial Officer, Judicial Council
Mr. Stephen Nash, Assistant Director, Office of Budget Management, Judicial Council
Ms. Kim Davis, Acting Director, Office of Court Construction and Management, Judicial Council
Ms. Gisele Corrie, Supervising Budget Analyst, Budget Development Unit, Judicial Council
Mr. Robert Emerson, Assistant Division Director, Office of Court Construction and Management, Judicial Council



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Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Item 0520-001-0001 and Addition of Budget Bill
Item 0520-002-0001, Support, Secretary for Business, Transportation and Housing (BTH)
Agency**

Transfer of the Office of Military Base Retention and Reuse (OMBRR) to the BTH Agency (Issue 010)—It is requested that Item 0520-001-0001 be increased by \$153,000 (1 position/1.0 personnel year) to reflect the transfer of the OMBRR from the Department of Housing and Community Development (HCD) to the BTH Agency. This Office historically resided within the former Technology, Trade and Commerce Agency (TTCA), but was transferred to the HCD as a result of the elimination of the TTCA. See Item 2240-001-0001, Issue 060, for a conforming reduction to the HCD budget. The attached trailer bill language is proposed to codify this action.

2004-05 TTCA closure costs (Issue 001)—It is requested that Item 0520-002-0001 be added in the amount of \$575,000 to fund costs associated with the closure of the TTCA that will be incurred in 2004-05. These costs include unemployment insurance, workers' compensation, and costs related to labor dispute resolutions that will continue into 2004-05. This increase is requested for the BTH Agency to administer the final closure costs of the TTCA. The amount included in this item, \$575,000, is an estimated cost because these costs cannot be finalized at this time. It is also requested that this item include the following provisional language to authorize the Department of Finance to increase the amount of this appropriation:

1. The amount appropriated in this item is available for payment of costs resulting from the closure of the former Technology, Trade, and Commerce Agency. Notwithstanding any other provision of law, if the Department of Finance determines that the expenditures for these costs will exceed the expenditures authorized by this item, the Department of Finance shall so report to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committee in each house of the Legislature that considers appropriations. Not sooner than 30 days after providing such written notification, the Director of Finance is authorized to increase this appropriation pursuant to the provisions of Chapter 2, Statutes of 2003.

The effect of my requested action is reflected on the attachment.

APR 1 2004

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If you have any questions or need additional information regarding this matter, please call Elliott Mandell, Principal Program Budget Analyst, at 322-2263.

DONNA ARDUIN

Director

By:



MICHAEL C. GENEST

Chief Deputy Director

for

Attachment

cc: Honorable Dede Alpert, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Joseph Dunn, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. Al Lee, Acting Principal Fiscal Officer, Business, Transportation, and Housing Agency
Ms. Janet Barentson, Budget Officer, California Highway Patrol

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Proposed Trailer Bill Language — Transfer of the Office of Military Base Retention and Reuse (OMBRR) to the BTH (Issue 010)

Sections 37981, 37982, 37983, 37984, 37989, and 37990 of the Health and Safety Code are amended to read:

37981. The Legislature finds and declares as follows:

(a) For over half a century, California's industries, universities, businesses, and workers have contributed to our nation's defense, utilizing their capital, talents, and skills to develop and bring to production important new technologies and advanced weapons systems, aircraft, and missiles.

(b) Defense spending in California peaked at sixty billion dollars (\$60,000,000,000) in 1988. Since then, it has decreased by 16 percent with the resulting loss of 126,000 jobs. The Commission on State Finance projected a further 22 percent reduction to thirty-seven billion dollars (\$37,000,000,000) in 1997, with a loss of another 81,000 jobs. California is expected to experience the most severe impact of defense cuts since 1994. (c) California has experienced four rounds of base closures resulting in the closure or realignment of 29 bases since 1988. Additional bases may be considered for closure in future closure rounds.

(d) California lost more federal payroll jobs from its 29 military base closures under rounds one to four, inclusive, than all of the rest of the states put together. The reduced military payroll, including military and civilian employees, in California is approximately 101,000 jobs. About 300,000 private sector defense industry jobs in California have been lost.

(e) California needs a focused, coordinated defense retention and conversion program within the state in order to protect the existing defense installations and facilities within the state and to assist those communities that have experienced an installation's closing.

(f) Currently, there are over 300,000 active duty and civilian defense personnel in California.

(g) The direct Department of Defense expenditures in California are over thirty billion dollars (\$30,000,000,000) for employees, contracts, and capital investment.

(h) California has over 36 major and 25 minor active military installations.

(i) The Department of Defense pays ten million dollars (\$10,000,000) annually in fees, permits, and licenses within the state.

(j) Having been the leader in the nation's defense effort, the state must now also assume the role as leader in defending existing military installations within its borders. That role will require a coordinated effort to ensure that California promotes the necessity of existing defense facilities, assist local governments and organizations in planning retention efforts, and design and implement a single unified plan for active defense retention efforts on the federal level.

(k) It is the intent of the Legislature that the state's role in defense retention, conversion, and military base reuse be consolidated in the ~~Department of Housing and Community Development~~ **Business, Transportation and Housing Agency**.

37982. The Legislature recognizes the potential for federal legislation to close additional military installations nationwide. In an effort to be proactive in retaining these facilities within California that are necessary for the defense of the nation and to provide for a single, focused defense of these installations, the California Defense Retention and Conversion Council is hereby created in the ~~Department of Housing and Community Development~~ **Business, Transportation and Housing Agency**.

37983. The California Defense Retention and Conversion Council shall consist of the following members, who shall be appointed as follows:

(a) The Governor shall have 11 appointees, who may include, but are not limited to, the following:

- (1) The Director of ~~Housing and Community Development~~ **Secretary of the Business, Transportation and Housing Agency**, or his or her designee.
- (2) The Secretary of Environmental Protection, or his or her designee.
- (3) The Director of Employment Development, or his or her designee.
- (4) The Director of Planning and Research, or his or her designee.
- (5) The Director of the Energy Resources, Conservation and Development Commission, or his or her designee.
- (6) The Director of Transportation, or his or her designee.
- (7) The Director of the Employment Training Panel, or his or her designee.
- (8) The Secretary of Resources, or his or her designee.
- (9) A member who is an elected public official from local government representing a community with an active defense installation.
- (10) A member who is an elected public official from local government representing a community with a closed defense installation.
- (11) A public member selected at large.
- (b) The Speaker of the Assembly shall have two appointees who may include, but are not limited to, members representing labor, business, or local government.
- (c) The Senate Committee on Rules shall have two appointees who may include, but are not limited to, members representing labor, business, or local government.
- (d) Nonvoting members, to consist of all of the following:
 - (1) At his or her option, the President of the University of California, or his or her designee.
 - (2) The Chancellor of the California State University, or his or her designee.
 - (3) The Chancellor of the California Community Colleges, or his or her designee.
 - (4) The Speaker of the Assembly, or his or her designee.
 - (5) The President pro Tempore of the Senate, or his or her designee.
 - (6) At the request of the Governor, a flag officer, or his or her designee, from each branch of the United States Armed Forces representing a mission or installation in California to serve as a liaison to the council.

37984. (a) The Director of ~~Housing and Community Development~~ **Secretary of the Business, Transportation and Housing Agency** shall serve as chairperson of the council.

(b) The Office of Military Base Retention shall provide staff support to the council.

(c) It shall be the purpose of the council to provide a central clearinghouse for all defense retention, conversion, and base reuse activities in the state.

35989. The ~~Department of Housing and Community Development~~ **Business, Transportation and Housing Agency** with input and assistance from the council, shall establish a Defense Retention Grant Program to grant funds to communities with military bases to assist them in developing a retention strategy. The agency may use grant criteria similar to those for existing defense conversion grant programs as a basis for developing the new grant program. To discourage multiple grant applications for individual defense installations in a region, the criteria shall be drafted to encourage a single application for grant funds to develop, where appropriate, a single, regional defense retention strategy. The structure, requirements, administration, and funding procedures of the grant program shall be submitted to the Legislature for review at least 90 days prior to making the first grant disbursement. The agency may make no grant award without the local community providing at least 50 percent or more in matching funds or in-kind services.

35990. The ~~Department of Housing and Community Development~~ **Business, Transportation and Housing Agency** shall adopt regulations to implement the programs authorized in this chapter. The agency shall adopt these regulations as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the

Government Code, and for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare. Notwithstanding subdivision (e) of Section 11346.1 of the Government Code, the regulations shall be repealed within 180 days after their effective date, unless the agency complies with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code as provided in subdivision (e) of Section 11346.1 of the Government Code.



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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 0530-001-0001, Support, California Health and Human Services Agency

Positions for Support and Agency Workload—Issue 001

It is requested that Item 0530-001-0001 be increased by \$1,372,000 and position authority be increased by 4.0 positions. This request would provide funding for 13.0 unfunded positions that currently exist and 4.0 new positions to provide sufficient personnel resources and funding necessary to meet the California Health and Human Services Agency's (CHHSA) workload and goals. The CHHSA is expected to provide oversight and coordination for 15 departments and 3 boards and/or commissions. Of immediate significance are a number of reform proposals being prepared by the CHHSA, which are focused on enabling California to continue to provide necessary services to everyone eligible within existing resources. Many of the reform proposals would reduce General Fund costs to the State, including those involving the Medi-Cal program, the Child Welfare System, and the Department of Developmental Services. The total savings associated with the three examples cited are projected to exceed over \$526.0 million General Fund, indicating the importance of these reform proposals to solving the State's budget shortfall.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Mr. Tom Lutzenberger, Principal Program Budget Analyst, at (916) 445-6423.

DONNA ARDUIN

Director

By:

for MICHAEL C. GENEST
Chief Deputy Director

Attachment

cc: On following page

APR 1 2004

-2-

cc: Honorable Dede Alpert, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Wesley Chesbro, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Mervyn Dymally, Chair, Assembly Budget Subcommittee No. 1
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Honorable S. Kimberly Belshé, Secretary, Health and Human Services Agency
Ms. Terri Delgadillo, Deputy Secretary, Health and Human Services Agency
Ms. Lorna Fong, Assistant Secretary, Health and Human Services Agency



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Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 0540-001-0140 and 0540-001-6031, Support and Addition of Items 0540-101-6029, 0540-101-6031, and 0540-490, Support and Local Assistance, Secretary for Resources

Proposition 40—Urban Streams Reappropriation

It is requested that Item 0540-490 be added to reappropriate funding for the Urban Streams Program. This program provides technical and financial assistance to local agencies to address local flooding and erosion problems. The program was delayed by one year because of legal issues relating to prevailing wage regulations (see Attachment A).

Proposition 50—Technical Correction

It is requested that Item 0540-001-6031 be decreased by \$68,000 and that Item 0540-001-0140 be amended to reflect this change. This request will redirect Proposition 50 funds to the Department of Parks and Recreation (Parks) for website development. This web site will enable the public and interested stakeholders to identify the geographic location of Proposition 50 funded projects, thereby providing greater public accountability for bond expenditures. Parks is currently developing the Proposition 40 website (see related Issue #102 in Item 3790-001-0001).

River Parkways and Sierra Nevada Cascade Programs

It is requested that Item 0540-001-6031 be increased by \$633,000, Item 0540-001-0140 be amended to reflect this change, Item 0540-101-6029 be added in the amount of \$7,850,000, and that Item 0540-101-6031 be added in the amount of \$39,650,000. This request will provide additional Proposition 40 and 50 funding for the River Parkways and Sierra Nevada Cascade Programs. The River Parkways program provides grants for park development, habitat restoration, and the development of public access trails along various state rivers. The Sierra Nevada program provides grants for the acquisition of land and water resources to protect lakes, reservoirs, rivers, streams, and wetlands in the Sierra Nevada region (see Attachment B for suggested Budget Bill language).

The effect of my requested action is reflected on the attachment.

APR 1 2004

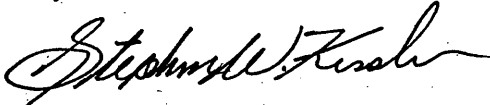
-2-

If you have any questions or need additional information regarding this matter, please call Patrick Kemp, Principal Program Budget Analyst, at 324-0043.

DONNA ARDUIN

Director

By:



for MICHAEL C. GENEST
Chief Deputy Director

Attachment

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Honorable Byron D. Sher, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Honorable Mike Chrisman, Secretary, Resources Agency
Mr. Don Wallace, Assistant Secretary, Resources Agency
Ms. Elaine Berghausen, Deputy Assistant Secretary, Resources Agency
Ms. Patty Lee, Budget Analyst, Resources Agency

APR 1 2004

Attachment A

Item 0540-490—Reappropriation, Secretary for Resources. The balance of the appropriation provided in the following citation is reappropriated for purposes provided for in that appropriation and shall be available for expenditure until June 30, 2005:

6029—California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund

(1) Item 0540-001-6029, Budget Act of 2003 (Ch. 157, Stats. 2003); (\$4,575,000) for purposes of the Urban Streams Program.

Attachment B

Add the following Budget Bill language to Item 0540-101-6029:

0540-101-6029—For local assistance, Secretary for Resources, payable from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund...7,850,000

Schedule:

(1) River Parkway Program.....7,850,000

Provisions:

1. The funds appropriated in this item shall be available for expenditure through fiscal year 2006-07 for purposes of support, local assistance, or capital outlay.
2. The funds received by other state agencies from this item in accordance with Public Resources Code 5096.650(c)(1) are exempt from the reporting requirements of Section 28.50 of the Budget Act.

Add the following Budget Bill language to Item 0540-101-6031:

0540-101-6031—For local assistance, Secretary for Resources, payable from the Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002.....39,650,000

Schedule:

(1) River Parkway Program.....30,500,000
(2) Sierra Nevada Cascade Grants.....9,150,000

Provisions:

1. The funds appropriated in this item shall be available for expenditure through fiscal year 2006-07 for purposes of support, local assistance, or capital outlay. Up to 50 percent of the funds appropriated in this item for River Parkways and Sierra Nevada Cascade grants may be awarded by the Secretary as opportunity grants.
2. The funds received by other state agencies from this item in accordance with Water Code Section 79541 are exempt from the reporting requirements of Section 28.50 of the Budget Act.



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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Item 0555-001-8020, Support, Secretary for Environmental Protection Agency

It is requested that Item 0555-001-8020 be added in the amount of \$150,000 from the Environmental Education Account (EEA) for consulting costs associated with the development, incorporation and broad-based implementation of K-12 environmental education principles and the development of a K-12 model curriculum that includes new instructional materials reflecting the new principles.

The EEA was created by the Environmental Education Act of 2003 (Chapter 665, Statutes of 2003), which provided that the Secretary for the Environmental Protection Agency (Agency) may accept federal, state, and local funds, as well as contributions from a public or private organization or individual, or proceeds from a judgment in State or federal court, for deposit in the EEA. The Agency will use the funds received in the EEA for the purposes noted above. It is requested that provisional language be included (see attachment) that specifies that the Agency may only expend funds to the extent that donations and other sources of funding for this purpose are received in the Environmental Education Account.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Robert Schladales, Principal Program Budget Analyst, at 324-0043.

DONNA ARDUIN

Director

By:

for MICHAEL C. GENEST
Chief Deputy Director

Attachment

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-2-

cc: Honorable Dede Alpert, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
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Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Byron D. Sher, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Fran Pavley, Chair, Assembly Budget Subcommittee No. 3
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Honorable Terry Tamminen, Secretary, California Environmental Protection Agency
Mr. Don Owen, Assistant Secretary, California Environmental Protection Agency

0555-001-8020 – For support of Secretary for Environmental Protection, payable from the Environmental Education Account.....150,000

Schedule:

(1) 30 – Support.....150,000

Provisions:

1. The funding appropriated and available for expenditure in this item is limited to the amount of funding received in the Environmental Education Account under the statutory restrictions of Chapter 665, Statutes of 2003.



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Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 0690-001-0001 and 0690-001-0029, Support, and 0690-101-0029, Local Assistance, Office of Emergency Services; and 4260-001-0001 and 4260-001-0029, Support, Department of Health Services

Office of Emergency Services

It is requested that Item 0690-001-0029 be increased by \$20,000 and that Item 0690-001-0001 be amended to reflect this change, and Item 0690-101-0029 be increased by \$49,000 to reflect the 2003 calendar year consumer price index increase for the Nuclear Planning Assessment Special Account pursuant to Government Code Section 8610.5.

Department of Health Services

It is requested that Item 4260-001-0029 be increased by \$14,000 and that Item 4260-001-0001 be amended to reflect this change due to the 2003 calendar year consumer price index increase for the Nuclear Planning Assessment Special Account pursuant to Government Code Section 8610.5.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Zlatko Theodorovic, Principal Program Budget Analyst, at 445-8913.

DONNA ARDUIN

Director

By:

for MICHAEL C. GENEST
Chief Deputy Director

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Honorable Wesley Chesbro, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Mervyn M. Dymally, Chair, Assembly Budget Subcommittee No. 1
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. Rich Fisher, Chief of Administration, Office of Emergency Services
Ms. Lauren Gomez, Chief of Administration and Financial Management, California Health
and Human Services Agency
Mr. Richard Bayquen, Chief Deputy Director, Department of Health Services
Mr. Tom McCaffery, Chief Deputy Director, Department of Health Services
Mr. Mark Hutchinson, Deputy Director, Administration, Department of Health Services
Mr. Jose Ortiz, Chief, Financial Management Branch, Department of Health Services
Mr. John Eastman, Chief, Budget Section, Department of Health Services



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Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 0690-101-0890, Local Assistance, Office of Emergency Services

It is requested that Item 0690-101-0890 be increased by \$49,452,000 to provide the 2003 federal Urban Area Security Initiative (UASI) grant to Los Angeles, San Francisco, San Diego, Sacramento, and Long Beach. The State is prohibited from using any of the UASI funds included in this grant, therefore all of the funds from this grant will be given to the five cities to fund various activities, including: development of the urban area homeland security strategies, acquisition of eligible equipment, and training exercises related to emergency responders who would prevent and respond to a terrorist attack.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Zlatko Theodorovic, Principal Program Budget Analyst, at 445-8913.

DONNA ARDUIN

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for MICHAEL C. GENEST
Chief Deputy Director

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Attention: Ms. Anne Maitland, Staff Director
Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Byron D. Sher, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. Rich Fisher, Chief of Administration, Office of Emergency Services

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DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR 1 2004

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Addition of Budget Bill Item 0690-490, Capital Outlay, Office of Emergency Services

It is requested that Item 0690-490 be added to reappropriate Item 0690-301-0001 Budget Act of 2003.

1. 80.10.008-Sacramento: OES Headquarters Perimeter Fence—Working drawings.

This reappropriation of working drawings is necessary due to delays in negotiating the Architect and Engineering firm contract.

The effect of my requested actions is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Michael Carter, Principal Program Budget Analyst, at 445-9694.

DONNA ARDUIN
Director

By:

for MICHAEL C. GENEST
Chief Deputy Director

Attachment

cc: On following page

APR 1 2004

-2-

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Attention: Ms. Anne Maitland, Staff Director
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Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. Rich Fisher, Chief of Administration Branch, Office of Emergency Services
Ms. Traci Beckstrom, Manager, Business Services Unit, Office of Emergency Services



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Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 0820-001-0001, 0820-001-0017, and Reimbursements, Support, Department of Justice

It is requested that Items 0820-001-0001, 0820-001-0017, and Reimbursements be amended as follows:

Criminal Offender Record Information Workload for the Department of Consumer Affairs and the Department of Real Estate—An increase of \$1,839,000 Fingerprint Fee Authority and 26.0 positions (9.0 positions on a two-year limited term basis) to process new criminal offender record information requests for Department of Consumer Affairs and Department of Real Estate licensees.

Division of Law Enforcement Reimbursement Funding—A reduction of \$3.0 million in reimbursement authority to reflect the expiration of various interagency agreements and grants to the Division.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Marcia Caballin, Principal Program Budget Analyst, at 445-8913.

DONNA ARDUIN
Director
By:

for MICHAEL C. GENEST
Chief Deputy Director

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APR 1 2004

-2-

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Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Ms. Sue Johnsrud, Director, Administrative Services Division, Department of Justice
Mr. Chris Ryan, Budget Officer, Department of Justice



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APR 1 2004

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Item 0840-001-0001 and Addition of Budget Bill
Item 0840-001-8021, Support, State Controller's Office (SCO)**

It is requested that Item 0840-001-0001 be amended by decreasing General Fund by \$3,983,000 and that Item 0840-001-8021 be added in the amount of \$5,102,000.

Unclaimed Property Program (Issues 106 and 107)

This Finance Letter proposes the implementation of a six-percent fee on approved unclaimed property claims to generate sufficient revenue to cover the direct program staffing and operating expenses and equipment costs of administering the program. Fee revenue, estimated at \$5,102,000 in 2004-05 and \$10,204,000 in 2005-06 and annually thereafter, would be deposited in a newly created account within the Unclaimed Property Fund beginning January 1, 2005.

There could be a shortfall in the amount of fee revenue collected if the claims volume and/or the average dollar paid per claim declined. In order to ensure that sufficient funds are available to cover program costs in the event of a revenue shortfall, this Finance Letter proposes an initial transfer of \$1.0 million from the Abandoned Property Account to the new account. Although this would reduce General Fund revenues by \$1.0 million, unclaimed property revenues are expected to increase by an amount that would more than offset this reduction. Revenues will be updated in the May Revision. Draft trailer bill language is attached (Attachment 1).

It is requested that Item 0840-001-0001 be decreased by \$4,773,000 and Item 0840-001-8021 be increased by \$4,773,000 in order to shift the direct program staffing and operating expenses and equipment costs from the General Fund to special fund fee revenue. This would also result in \$9,875,000 of General Fund savings in 2005-06 and annually thereafter. (Issue 106)

It is requested that Item 0840-001-8021 be increased by \$329,000 and that 5.9 permanent positions be provided for increased workload. Claims workload is anticipated to increase by 21 percent over 2002-03 levels in 2004-05, while staffing levels including the requested positions will increase by just over seven percent (excluding one-time positions provided for the Amnesty Program). (Issue 107)

State Disability Insurance (SDI) Program—System Changes in SCO (Issue 108)

It is requested that Item 0840-001-0001 be increased by \$614,000 one-year General Fund and 2.0 one-year limited-term positions be provided to modify the human resources and payroll systems for the SDI Program authorized by Chapter 878, Statutes of 2002 (AB 2149). It is also requested that \$58,000 one-year General Fund and 0.7 one-year limited-term position be provided for 2005-06. The SDI Program, financed by employee contributions, will provide State employees who are unable to work due to a non-work related sickness or injury up to 52 weeks of non-taxable benefits. The nine California State Employees Association bargaining units that

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have elected to participate in SDI now have signed agreements with the Department of Personnel Administration. The required system changes are anticipated to be completed in September 2005. Savings of \$4.0 million are anticipated beginning in 2006-07 due to the conversion of employees from an employer-paid program to an employee-paid program.

Takeover of Technology, Trade, and Commerce Agency (TTCA) Programs (Issue 109)

It is requested that Item 0840-001-0001 be increased by \$176,000 one-year General Fund and 2.0 one-year limited-term positions be provided for additional workload assumed due to the closure of TTCA. The SCO is now administering 130 loans totaling over \$16.1 million in outstanding debt. Without the additional resources, failure to collect on delinquent accounts could result in the loss of up to \$2.0 million in 2004-05. Finance notes that the TTCA deficiency request includes \$183,000 for SCO workload in 2003-04. The SCO plans to submit a funding request in the fall for workload in 2005-06.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Oscar Chaves, Principal Program Budget Analyst, at 445-5332.

DONNA ARDUIN

Director

By:



for MICHAEL C. GENEST
Chief Deputy Director

Attachment

cc: Honorable Dede Alpert, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Joseph Dunn, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. Vincent P. Brown, Chief Operating Officer, State Controller's Office
Ms. Olivia Cortez, Chief, Administration and Disbursements Division, State Controller's Office

**TRAILER BILL LANGUAGE
UNCLAIMED PROPERTY FEES**

SEC. 1. Section 1540 of the Code of Civil Procedures is amended to read:

1540. (a) Any person, excluding another state, who claims an interest in property paid or delivered to the Controller under this chapter may file a claim to the property or to the net proceeds from its sale. The claim shall be on a form prescribed by the Controller and shall be verified by the claimant.

(b) The Controller shall consider each claim within 180 days after it is filed and may hold a hearing and receive evidence. The Controller shall give written notice to the claimant if he or she denies the claim in whole or in part. The notice may be given by mailing it to the address, if any, stated in the claim as the address to which notices are to be sent. If no address is stated in the claim, the notice may be mailed to the address, if any, of the claimant as stated in the claim. No notice of denial need be given if the claim fails to state either an address to which notices are to be sent or an address of the claimant.

(c) No interest shall be payable on any claim paid under this chapter.

(d) *Beginning January 1, 2005, there shall be a fee of six percent deducted from the payment of all claims paid on or after January 1, 2005, under this section, which shall be deposited in the Unclaimed Property Fund in an account titled "Unclaimed Property Fees Account," which is hereby created.*

(de) For the purposes of this section, "owner" means the person who had legal right to the property prior to its escheat, his or her heirs, or his or her legal representative.

(ef) Following a public hearing, the Controller shall adopt guidelines and forms that shall provide specific instructions to assist owners in filing claims pursuant to this article.

1540.5 (a) All money received pursuant to Section 1540(d) shall be deposited in the Unclaimed Property Fees Account within the Unclaimed Property Fund to cover the costs of administering the Unclaimed Property Program, including but not limited to processing claims for unclaimed property accounts, processing and selling securities received as unclaimed property, notifying owners of unclaimed property through notices and ads, and providing access to unclaimed property account information through telephone and website services, and shall be available for expenditure by the Controller only upon appropriation by the Legislature. All interest earned by the Unclaimed Property Fees Account shall be deposited in the Unclaimed Property Fees Account.

(b) The Controller shall transfer one million dollars (\$1,000,000) from the Abandoned Property Account to the Unclaimed Property Fees Account by December 31, 2004.

(c) The unappropriated balance in excess of one million dollars (\$1,000,000) in the Unclaimed Property Fees Account at the end of a fiscal year may be transferred to the General Fund upon order of the Director of Finance.

SEC. 2. *This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect.*

APR 1 2004

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 0845-001-0217, Support, and 0845-101-0217, Local Assistance, California Department of Insurance

Increased Transfer to the Department of Aging for HICAP Fee Increase. It is requested that Item 0845-001-0217 be increased by \$323,000 to transfer an increased annual assessment on health care plans (from \$1.00 to \$1.20 per Medicare beneficiary) to the Department of Aging for the Health Insurance Counseling and Advocacy Program (per Chapter 545, Statutes of 2003).

Workers' Compensation (Uninsured Employers) Fraud Investigators and Notices. It is requested that Item 0845-001-0217 be increased by \$399,000 and 4 two-year limited-term positions to investigate and prosecute employers who do not purchase workers' compensation insurance coverage.

Disability and Health Insurance Fraud Investigators. It is requested that Item 0845-001-0217 be increased by \$1.3 million and 12.0 positions and that Item 0845-101-0217 be increased by \$1.3 million for the investigation and prosecution of health and disability insurance fraud.

Investigation Division Workload Backlog. It is requested that Item 0845-001-0217 be increased by \$570,000 and 5.0 positions to address a backlog in cases, caseload maintenance, and program enhancements related to violations by automobile insurance agents and insurance companies.

Employee Compensation Increase. It is requested that Item 0845-101-0217 be increased by \$987,000 to fund increased compensation costs for county investigators as a result of recent Memoranda of Understanding between various counties and the Public Employment Retirement System.

Fraud Automobile and Urban Grant Programs. It is requested that Item 0845-101-0217 be increased by \$2,929,000 in one-time expenditure authority to distribute excess local assistance funds to District Attorneys for the Fraud Automobile and Urban Grant Programs.

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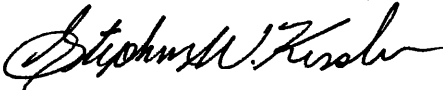
The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Keith Gmeinder, Principal Program Budget Analyst, at 445-8913.

DONNA ARDUIN

Director

By:



for

MICHAEL C. GENEST

Chief Deputy Director

Attachment

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Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Joseph Dunn, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. John Garamendi, Insurance Commissioner, Department of Insurance
Mr. Dennis Ward, Deputy Insurance Commissioner, Department of Insurance



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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Various Budget Bill Items and Reimbursements, Support, Board of
Equalization (BOE)**

**Cigarette and Tobacco Distributor Twice-Monthly Payment and Reporting
Chapter 867/03 (AB 1666)—Issue 101**

It is requested that BOE's budget be augmented by \$53,000 as follows:

- 0860-001-0001 be increased by \$27,000
- Reimbursements be decreased by \$1,000
- 0860-001-0004 be increased by \$1,000
- 0860-001-0061 be decreased by \$1,000
- 0860-001-0230 be increased by \$14,000
- 0860-001-0623 be increased by \$13,000

This action will provide funding for a limited-term 0.5 personnel year from July 1, 2004 through December 31, 2006, to implement the provisions of Chapter 867, Statutes of 2003 (AB 1666). It will also provide funding for the associated Bank of America contract and other operating expenses. This legislation allows cigarette and tobacco products distributors to elect to file excise tax returns either on a monthly or twice-monthly basis. It also reduces the required security deposit for those that elect to file on a twice-monthly basis. The provisions of this chapter remain in effect until December 31, 2006.

Department of Motor Vehicles (DMV) Fee Increase—Issue 102

It is requested that the BOE's budget be increased by \$687,000 (\$550,000 General Fund and \$137,000 Reimbursements) in order to accommodate an increase in the DMV charges for collecting use tax on behalf of the BOE.

The DMV provides these administrative duties to the BOE via an interagency agreement to act as the BOE agent in the collection of use tax at the time of the DMV registration. The DMV processes approximately 2.3 million use tax transactions each year and collects revenues of approximately \$567 million, which support State and local government programs. The BOE is statutorily required to reimburse DMV for its administrative costs associated with these duties. The DMV indicates increased costs based on a projected increase in transactions.

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Without an augmentation, it is anticipated that the increase in charges would be significant enough to adversely impact the BOE business operations. The BOE does not have flexibility in its budget to absorb the increased costs of \$687,000 for this non-discretionary expenditure.

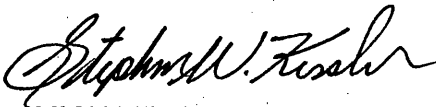
The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Matt Paulin, Principal Program Budget Analyst, at (916) 322-2263.

DONNA ARDUIN

Director

By:



for MICHAEL C. GENEST
Chief Deputy Director

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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. Ramon J. Hirsig, Executive Director, Board of Equalization
Ms. Ray Zentner, Deputy Director for Administration, Board of Equalization
Ms. Marcia Davey, Chief of Financial Management Division, Board of Equalization
Mr. Rene Gutierrez, Budget Officer, Board of Equalization



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Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Items 0890-001-0001, 0890-001-0228, and 0890-001-0890,
Support, Secretary of State**

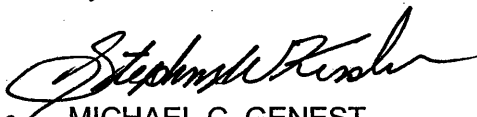
Restoration of the International Business Relations Program. It is requested that Item 0890-001-0228 be increased by \$284,000 and that Item 0890-001-0001 be amended to reflect this change. This increase would restore the International Business Relations Program, including 3.0 positions, which was originally proposed for elimination in the Governor's Budget.

Help America Vote Act (HAVA) Federal Funding. It is requested that Item 0890-001-0890 be increased by \$264,355,000 and that Item 0890-001-0001 be amended to reflect this change. This increase would provide funding to implement the HAVA program. At this time it is unclear how much of this increase should be directed to support or local assistance, or how the funding should be divided between personal services and operating expenses and equipment. The Secretary of State will provide more detailed scheduling information as soon as possible.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Keith Gmeinder, Principal Program Budget Analyst, at (916) 445-8913.

DONNA ARDUIN
Director
By:

for 
MICHAEL C. GENEST
Chief Deputy Director

Attachment

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APR 1 2004

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Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Ms. Sandy Duveneck, Chief Assistant Secretary of State, Operations
Ms. Debra Jones, Interim Chief, Management Services, Secretary of State